



NATIONAL LEAGUE OF POSTMASTERS OF THE UNITED STATES

1023 N. Royal St., Alexandria, VA 22314-1569 • Telephone—(703) 548-5922

BACKGROUND INFORMATION AND POSITION OF THE NATIONAL LEAGUE OF POSTMASTERS ON UNIVERSAL COVERAGE OF SOCIAL SECURITY

The Social Security Act, enacted in 1935, is designed to safeguard the economic independence and dignity of retirees, the disabled, surviving spouses, and orphaned children. Despite efforts by Administration spokesmen to paint a bleak, and totally unrealistic picture of Social Security, a recent Gallup Poll showed that American people favor retaining the present benefit structure by a margin of 71 to 24 percent.

A Presidential Commission studying the financial solvency of Social Security, recommended including Federal and Postal employees under Social Security. The National League of Postmasters believes that any system of mandatory Social Security coverage would involve a serious breach of implied contract and involve complex legal and constitutional problems. The issue would ultimately be decided by the Supreme Court.

S2905, The Civil Service Pension Reform Act of 1982, would have "Grandfathered" in workers vested under the Civil Service system. The League has grave reservations about its effects on both current employees and new hires. Maintaining and administering two or three separate systems would be enormously costly. The start-up costs for the new system would be extreme, and it could take up to 75 years to phase out the old system.

Placing government and postal workers under Social Security will not solve the system's underlying financial problems. While billions of new dollars would flow into the system each year, it will also mean billions of additional dollars flowing out of the system in future years. There is no evidence to support the claim that a merger of Social Security and CSR programs will save costs to taxpayers.

One should not disregard the fact that considerable revenue will also be lost if the universal coverage concept is pursued. Civil Service retirees paid 1.26 billion dollars in federal income tax in 1979. Ten percent of their income goes to federal taxes and six percent to state and local taxes.

The National League of Postmasters believes that Congress should consider and correct the causes of the financial problems of

Social Security. Some of the factors that have caused these problems include high inflation, skyrocketing medical costs and high unemployment.

The First Session of the 98th Congress enacted Public Law 98-21, a so-called compromise rescue plan that raises the retirement age to 67 by the year 2027, and delayed for six months annual COLA increases.

Congress also approved a temporary retirement contribution relief plan for new hired federal/postal employees until January 1986.

The National League of Postmasters understands the political considerations involved at the time PL 98-21 was debated and enacted. However, we believe that section of the law which would lead to a two-tier retirement system is unworkable, and therefore should be repealed.